Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

PAGE 01 NATO 04813 061649Z

70
ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 PM-07 INR-11 L-03 ACDA-19

NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15 TRSE-00

SAJ-01 AID-20 EB-11 NSC-07 CIEP-03 SS-20 STR-08

OMB-01 CEA-02 COME-00 FRB-03 XMB-07 OPIC-12 LAB-06

SIL-01 NIC-01 FEA-02 DRC-01 /207 W
---------- 051793
R 061510Z SEP 74
FM USMISSION NATO
TO SECSTATE WASHDC 7430
INFO AMCONSUL HONG KONG
USLO PEKING

C O N F I D E N T I A L USNATO 4813

E.O. 11652:GDS
TAGS: ECON, CH, NATO
SUBJECT: ECONADS: REPORT ON ECONOMY OF THE PRC

1. BELOW IS THE TEXT OF A LETTER FROM THE FRG DELEGATION TO MEMBERS OF THE ECONOMIC COMMITTEE WITH FRG COMMENTS ON PRC'S INDEBTEDNESS, GOLD AND FOREIGN CURRENCY RESERVES, OIL PRODUCTION, AND CRUDE OIL EXPORTS. TO CORRECT PARA. 2 REFTEL, MISSION REQUESTS VERIFICATION US ESTIMATE OF PRC INDEBTEDNESS TO NON-COMMUNIST COUNTRIES NOT REPEAT NOT GOLD AND FOREIGN CURRENCY RESERVES.

2. BEGIN TEXT:

SUBJECT: THE ECONOMIC SITUATION IN THE PEOPLE'S REPUBLIC OF CHINA:
A) CHINA'S INDEBTEDNESS, GOLD AND FOREIGN CURRENCY RESERVES;
B) MINERAL OIL PRODUCTION AND CRUDE OIL EXPORTS.

REF: MEETING OF THE ECONOMIC COMMITTEE ON 13 JUNE 1974.
CONFIDENTIAL

PAGE 02 NATO 04813 061649Z

DEAR MR. LAULAN,

I HAVE THE PLEASURE TO FORWARD TO YOU THE FOLLOWING GERMAN CONTRIBUTION WITH RESPECT TO THE QUESTIONS DISCUSSED AT THE ABOVE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

COMMITTEE MEETING:

1. CHINA'S INDEBTEDNESS VIS-A-VIS WESTERN COUNTRIES

THE PEOPLE'S REPUBLIC OF CHINA HAS SO FAR REFUSED TO ACCEPT CAPITAL OR DEVELOPMENT CREDITS FROM WESTERN COUNTRIES, SO THAT CHINA'S INDEBTEDNESS VIS-A-VIS THE WEST IS ALMOST EXCLUSIVELY DUE TO THE IMPORT OF INVESTMENT FACILITIES WHICH WERE PURCHASED ON THE BASIS OF DEFERRED PAYMENTS.

AS FAR AS WE ARE INFORMED IT WAS ONLY IN 1972 THAT CHINA BEGAN TO ACCEPT IMPORT CREDITS IN THE FORM OF DEFERRED PAYMENTS (AS A RULE 20 PERCENT PAYMENT, THE REST PAYABLE IN 5 YEARS AT 6 PERCENT INTEREST PER YEAR).

IN 1972, CHINA THUS PURCHASED FROM THE WEST FACILITIES WORTH ABOUT 200 MILLION US $. IN 1973, THESE PURCHASES ROSE TO 800 MILLION US $. IT IS ESTIMATED THAT, ON 31-12-1973, CHINA'S INDEBTEDNESS FROM THESE PURCHASES AMOUNTED TO ABOUT 790 MILLION US $ AFTER DEDUCTION OF THE DOWN PAYMENT AND THE REPAYMENTS ALREADY MADE. SINCE CHINA'S FOREIGN TRADE POLICY IS OBVIOUSLY BASED, AMONG OTHER THINGS, ON THE ANNUAL REPAYMENT OBLIGATIONS INCURRED BY IMPORTS AGAINST DEFERRED PAYMENTS, IT IS NOT WITHOUT INTEREST TO ASCERTAIN CHINA'S FUTURE BURDEN RESULTING FROM SUCH TRANSACTIONS. THE FOLLOWING ESTIMATES HAVE BEEN ESTABLISHED:

A) DOWN PAYMENT: 20 PERCENT OF THE DELIVERY VALUE;

B) THE ANNUAL REPAYMENT RATE AMOUNTS TO EQUAL PARTS OF 20 PERCENT OF THE REMAINING DEBT, I.E. DELIVERY VALUE LESS DOWN PAYMENT. INTEREST PAYMENTS ON THE OUTSTANDING DEBT HAVE BEEN DISREGARDED.

C) IT IS ASSUMED THAT, FROM 1974 TO 1977, THE ANNUAL IMPORTS ON THE BASIS OF DEFERRED-PAYMENT TRANSACTIONS WILL ALSO AMOUNT TO 800 US $ (AS IN 1973).

CONFIDENTIAL

PAGE 03 NATO 04813 061649Z

HOWEVER, THIS ASSUMPTION REQUIRES THAT

- THE ANTI-CONFUCIUS CAMPAIGN WILL NOT SLOW DOWN TRADE WITH THE WEST;

- CHINA'S EXPORT POTENTIAL WILL BE SUFFICIENT TO FINANCE THE HIGH IMPORTS OF INVESTMENT FACILITIES. THIS WILL CERTAINLY NOT BE POSSIBLE WITH THE TRADITIONAL EXPORT PRODUCTS. INCREASED EXPORTS OF CRUDE OIL WOULD BE A SOLUTION. MOREOVER, INCREASED EXPORTS OF NON-FERROUS METALS AND MINERALS WOULD ALSO BE CONCEIVABLE.

THE FOLLOWING REPAYMENT RATES CAN BE ASSUMED UNDER THE ABOVE PREMISES:

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

1972	1973	1974	1975	1976	1977	
20	192	320	448	576	704	MILLION US $

2. CHINA'S GOLD AND FOREIGN CURRENCY RESERVES

CHINA'S GOLD AND CONVERTIBLE CURRENCY RESERVES ARE LIKELY TO AMOUNT TO BETWEEN 1,500 AND 2,000 MILLION US $. THIS AMOUNT CAN ONLY BE REGARDED AS A ROUGH ESTIMATE FOR WHICH THE ACCUMULATED FOREIGN TRADE BALANCES, THE EXPENDITURES ON DEVELOPMENT AID AS WELL AS CHINA'S ESTIMATED RECEIPTS FROM MONEY TRANSFERS OF CHINESE LIVING ABROAD PROVIDE SOME JUSTIFICATION.

3. PROSPECTS OF MINERAL OIL PRODUCTION AND CRUDE OIL EXPORTS.

THE CHINESE MINERAL OIL PRODUCTION IN 1973 IS ESTIMATED AT 50 MILLION TONS. IT IS CONSIDERED POSSIBLE THAT OUTPUT WILL RISE TO 200 MILLION TONS BY 1980.

JAPANESE SOURCES REPORT THAT CHINA IS WILLING TO SUPPLY JAPAN WITH UP TO 10 MILLION TONS OF OIL IN 1974. THIS REPORT STILL REQUIRES CONFIRMATION. THE REMAINING MINERAL OIL EXPORTS FROM CHINA TO OTHER ASIAN COUNTRIES ARE LIKELY TO BE SOMEWHAT LESS THAN ONE MILLION TONS PER YEAR.

CONFIDENTIAL

COPY OF THIS LETTER HAS BEEN SENT TO THE OTHER COLLEAGUES ON THE ECONOMIC COMMITTEE.

YOURS SINCERELY,
(W. DROOG)
HEAD, ECONOMIC SECTION

MCAULIFFE

CONFIDENTIAL

<< END OF DOCUMENT >>

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO04813
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740988/abbrywyz.tel
Line Count: 147
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: MEETING OF THE ECONOMIC COMMITTEE ON 13 JUNE 1974.
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by reddocgw>; APPROVED <04-Oct-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: REPORT ON ECONOMY OF THE PRC
TAGS: ECON, CH, NATO
To: STATE INFO HONG KONG
PEKING
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005